

Before the  
**Federal Communications Commission**  
Washington, D.C. 20554

DOCKET FILE COPY ORIGINAL  
**RECEIVED**

JUN - 1 1998

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

In the Matter of	)	
	)	
Selected Issues Regarding the Forward-Looking	)	CC Docket Nos. 96-45, 97-160
Economic Cost Mechanism for Universal	)	DA 98-848
Service Support	)	

---

**COMMENTS  
OF THE  
UNITED STATES TELEPHONE ASSOCIATION**

The United States Telephone Association (USTA) respectfully submits its comments in the above-referenced proceeding. USTA is the principal trade association of the local exchange carrier (LEC) industry. Its members provide over 95 percent of the incumbent LEC-provided access lines in the U.S. Pursuant to the determination of the Commission in its Universal Service Order, federal universal service high cost support will be based on forward-looking economic costs as determined by a cost proxy model for non-rural carriers beginning January 1, 1999.

In a Public Notice released May 4, 1998, the Common Carrier Bureau requested further comment on certain issues related to the creation of the forward-looking cost proxy model, including the appropriate input values and the level of the revenue benchmark. USTA will provide its comments on several of the input values. However, USTA urges the Bureau to ensure that nothing in its decisions as to the appropriate input values in any way applies to rural carriers or in any way impacts the rural carrier transition plan. USTA agrees with Chairman Kennard that there is no reason to make any further changes in the determination of universal service

support for rural carriers and no reason to assume that further changes must begin in 2001.<sup>1</sup>

None of the cost proxy models currently under consideration by the Commission reflect the costs incurred by rural carriers to provide service.

1. Customer Location Data.

While companies have attempted to determine whether alternative sources of geocode data exist, most do not have such data readily available. Current methods to match addresses with geographic coordinates may be sufficient in urban areas where addresses are standardized. However, in rural areas addresses are not standardized and the time and expense required to gather such data would be significant.

USTA is concerned about how this data is utilized in the HAI model, which ultimately disregards the actual geocoding data by reconfiguring the data to accommodate its theoretical network design. The model should reflect the costs of providing service in the geographic area and not be based on data reconfigured to fit a hypothetical network.

2. Maximum Copper Loop Length.

Current technical design rules call for copper loops with a maximum physical range of 12,000 feet or 75 ohms conductor loop resistance, whichever occurs first. This ensures high quality two wire voice transmission and the capability to support advanced digital services, including digital data service, ISDN basic rate transmission and high-bit-rate digital subscriber line service. Special equipment is required for services where copper loop length exceeds 12,000 feet in order to support data transmissions. The cost proxy model must include this added cost.

---

<sup>1</sup>See, Remarks by Chairman Kennard to USTA Inside Washington Telecom, April 27, 1998.

### 3. Defining Households.

Forward-looking costs should be calculated based on total housing units, both occupied and unoccupied. Even though telephone service may not be activated in a particular household, the facilities necessary to provide service, including the copper loop or fiber, electronics and switching capability, must be available so that service can be activated within the period required by state regulatory agencies. Total housing units will provide a more accurate relationship to the costs of providing universal service than either total households or households with telephones. For example, using total households with telephones implies that current levels of penetration are sufficient which contradicts the Commission's objectives as articulated in the Universal Service Order.

Further, total housing units will reflect incumbent LECs' responsibilities to serve all customers in its serving areas. Incumbent LECs' status as the "carrier of last resort" has not been altered. Thus, the costs of providing service to all housing units should be the basis for calculating the costs of universal service. The standard should be the same whether the area is rural or urban, for, contrary to the assumption which underlies the HAI model, unoccupied housing units are not located solely in rural areas.

Many companies maintain records of lines in service by wire center. Companies should be permitted to provide this data to the universal service administrator or to utilize the default information. Further, companies should also be permitted, although not required, to provide wire center boundaries and disaggregated line information, so long as this information is treated as proprietary.

#### 4. Revenues to be Included in the Benchmark.

USTA has consistently maintained that a revenue benchmark should only include revenues obtained from providing universal service. Including access revenues and revenues from discretionary services in a revenue benchmark only serves to perpetuate implicit support in contravention of the Telecommunications Act of 1996. As competition continues to grow, such revenues will no longer be available to support universal service as competitors with no regulatory constraints continue to target high volume customers. Including revenues from access and discretionary services will also create a mismatch since the costs of providing such service will not be included in the forward-looking cost proxy.

USTA urges the Bureau to consider the comments filed by the non-rural telephone companies, paying particular attention to concerns regarding the availability of alternative data sources and the ability to collect data. Most important, the Bureau must ensure that the input values selected reflect the actual costs of providing universal service not reflect the hypothetical costs of a fantasy network.

Respectfully submitted,

**UNITED STATES TELEPHONE ASSOCIATION**

By  \_\_\_\_\_

Its Attorneys:

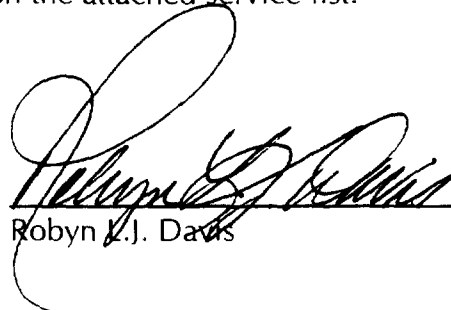
Lawrence E. Sarjeant  
Linda Kent  
Keith Townsend

1401 H Street, NW, Suite 600  
Washington, D.C. 20005  
(202) 326-7248

June 1, 1998

**CERTIFICATE OF SERVICE**

I, Robyn L.J. Davis, do certify that on June 1, 1998 copies of the Comments of the United States Telephone Association were either hand-delivered, or deposited in the U.S. Mail, first-class, postage prepaid to the persons on the attached service list.



Robyn L.J. Davis